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100TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPT. 100-22
Part 1

MONTGOMERY GI BILL

MARCH 11, 1987.—Ordered to be printed

Mr. MONTGOMERY, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 1085, which on February 11, 1987, was referred jointly to the Committees on Veterans' Affairs and Armed Services]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 1085) to amend title 38, United States Code, to make permanent the new GI bill educational assistance programs established by chapter 30 of such title, and for other purposes, having considered the same, reports favorably thereon with an amendment, by unanimous vote, and recommends that the bill as amended do pass.

The amendment is as follows:

Add the following at the end of the bill:

SEC. 2. NEW SHORT TITLE.

Section 701 of the Department of Defense Authorization Act, 1985 (Public Law 98-525; 38 U.S.C. 101 note) is amended to read as follows:

"SHORT TITLE

"SEC. 701. This title may be cited as the 'Montgomery GI Bill Act of 1984'.".

INTRODUCTION

On February 11, 1987, the Honorable G. V. (Sonny) Montgomery, Chairman of the Committee on Veterans' Affairs, introduced H.R. 1085, a bill to make permanent the New GI Bill educational assistance programs established by chapter 30, title 38, United States Code and chapter 106, title 10, United States Code, for himself and 174 original cosponsors.

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H763-2

The Subcommittee on Education, Training and Employment, chaired by the Honorable Wayne Dowdy, held a hearing on February 18, 1987, to review H.R. 1085. Witnesses at this hearing included the Honorable Jim Wright, Speaker of the House, the Honorable G. V. (Sonny) Montgomery, and representatives of the Veterans Administration, the Department of Defense, U.S. Army, U.S. Navy, U.S. Air Force, U.S. Marine Corps, U.S. Coast Guard, Army National Guard, and the Air National Guard. Testimony was also presented by Dean J. Clay Smith, Jr., Howard University Law School, and representatives of the American Council on Education, the American Association of Community and Junior Colleges, and the National Association of Veterans Program Administrators. Additionally, representatives of the following military associations appeared before the Subcommittee: Enlisted Association of the National Guard of the United States, Air Force Association, Fleet Reserve Association, National Guard Association of the United States, Association of the United States Army, Reserve Forces Policy Board, The Non-Commissioned Officers Association of the United States of America, Naval Reserve Association, National Association for Uniformed Services, Air Force Sergeants Association, Navy League of the United States, and the Reserve Officers Association of the United States. Testimony was also received from representatives of the following veterans' organizations: The American Legion, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars.

The Subcommittee met on February 26, 1987, and unanimously recommended H.R. 1085 to the full Committee. On March 4, 1987, the full Committee unanimously approved H.R. 1085, as amended, and ordered the bill reported.

Summary of the Bill

Section 1 of H.R. 1085 would amend title 38 and title 10, United States Code, to make permanent the New GI Bill educational assistance programs established by chapter 30, title 38, United States Code, and chapter 106, title 10, United States Code. Under current law, the New GI Bill programs would terminate for new participants on June 30, 1988.

Section 2 of the bill would rename Title VII of the Department of Defense Authorization Act, 1985, (Public Law 98–525) as the "Montgomery GI Bill Act of 1984."

Background

Program description

On October 19, 1984, Public Law 98–525, the Department of Defense Authorization Act, 1985, was signed into law. Title VII of this act established, for the first time, a New GI Bill for the All-Volunteer Force. The New GI Bill consists of two components—the program of educational assistance for members of the All-Volunteer Force under chapter 30, title 38, United States Code, and the program of educational assistance for members of the Selected Reserve under chapter 106, title 10, United States Code.

The current chapter 30 program generally provides that a servicemember initially entering on active duty from July 1, 1985, through June 30, 1988, is entitled to basic educational assistance benefits unless the servicemember declines participation in the New GI Bill. In exchange for three years of honorable service on active duty or a combination of two years on active duty and a four-year reserve commitment, an individual is entitled to $300 a month for a maximum of 36 months of full-time school attendance, a total of $10,800 in educational assistance. In exchange for a two-year tour of duty, an individual is entitled to $250 month for 36 months, a total of $9,000. These readjustment benefits are funded by the Veterans Administration. New GI Bill participants agree to a nonrefundable, $100-per-month reduction in their basic pay for 12 months. In addition to the basic readjustment benefits, qualified recruits who enlist for hard-to-fill occupational specialties may be eligible to receive additional benefits, generally referred to as "kickers." These benefits, which are force-manning tools, are funded by the individual Services. The chapter 30 program is administered by the Veterans Administration.

Under the current chapter 106 program, members of the Selected Reserve who enlist, reenlist, or extend for a period of not less than six years between July 1, 1985, and June 30, 1988, are entitled to educational assistance benefits of up to $5,040 for undergraduate college training. No reduction in pay is required under this program. The Department of Defense funds chapter 106, and it is administered by the Veterans Administration.

PROGRAM PURPOSES

As has been the case with previous GI Bills, the purposes of the New GI Bill are:

1. To assist members of the Armed Forces to readjust to civilian life after their separation from military service;

2. To assist the All-Volunteer Force program and the total force concept of the Armed Forces by establishing a new program of educational assistance based upon service on active duty or a combination of service on active duty and in the Selected Reserve (including the National Guard), to aid in the recruitment and retention of highly qualified personnel for both the active and reserve components of the Armed Forces; and

3. To give special emphasis to providing educational assistance benefits to aid in the retention of personnel in the Armed Forces.

The Committee emphasizes that the primary purpose of the New GI Bill is to provide educational assistance benefits in order to facilitate the readjustment of veterans to civilian life following completion of military service. The New GI Bill is the latest measure to help carry out our national obligation to assist servicemembers in their efforts to achieve maximum potential as individuals and as citizens. Since the enactment of the first GI Bill in 1944, over 18 million veterans and service personnel have received educational assistance under three GI Bills. These include 7.8 million under the World War II GI Bill, almost 2.4 million under the Korean Conflict GI Bill, and over 8 million under the Vietnam Era/Post-Korean GI Bill. Because the fundamental purpose of all GI Bills, including the

New GI Bill, has been to assist in the smooth transition of veterans from military to civilian life through educational and training assistance, the programs have consistently been administered and funded by the Veterans Administration.

The GI Bills enacted since World War II have been widely acclaimed as the best investment America has ever made. In his televised address to the nation on January 27, 1987, the Speaker of the House, the Honorable Jim Wright, made eloquent reference to the importance and necessity of quality educational opportunity in this country and the role the 1944 GI Bill played in advancing education. The Speaker said, "The very best financial investment this country ever made was the GI Bill of Rights at the end of World War II. It sent an entire generation of Americans to college. And our country has been reaping the dividends ever since. That program, simply in greater taxes paid from higher earnings, has actually repaid the U.S. Treasury about $20 for every dollar invested." In testimony before the Subcommittee on February 18, 1987, the Speaker expressed strong support for the New GI Bill, emphasizing that the enactment of H.R. 1085 is one of the most important legislative initiatives on the House agenda in the 100th Congress.

In addition to readjustment assistance, the New GI Bill has proven to be a strong, cost-effective recruitment and retention tool for our Armed Forces. Participation rates in all branches of military service confirm the New GI Bill's value to the young people volunteering for military service. The latest available statistics show that 84 percent of all new Army recruits are now participating in the New GI Bill. The Navy is signing up 54 percent of its recruits; 64 percent of Marine Corps enlistees are opting for the program; and the Air Force reports that 44 percent of its new recruits are enrolling. Through the end of January 1987, close to 46,000 members of the Selected Reserve had already initiated training under the New GI Bill.

Statistics compiled by the U.S. Army dramatically demonstrate the recruiting power of the New GI Bill. Today, more than 90 percent of Army recruits are high school graduates compared to 54 percent in 1980. The percentage of recruits scoring in the upper half of the Armed Forces Qualification Test (AFQT) soared from 26 to 63 percent during the same period. Quality male recruits increased 10 percent during the first year of the New GI Bill over the final 12 months of the Veterans Educational Assistance Program (VEAP), the previous unsuccessful education program. Particularly impressive are the statements of 43 percent of the high quality recruits who said they would not have joined the Army but for the educational assistance benefits available under the New GI Bill. The Army is already reaping the benefits of their strong commitment to the use of the New GI Bill as a recruitment tool. During the first three months of fiscal year 1987, the Army enlisted a higher percentage of high quality recruits than the Air Force, Navy, and Marine Corps.

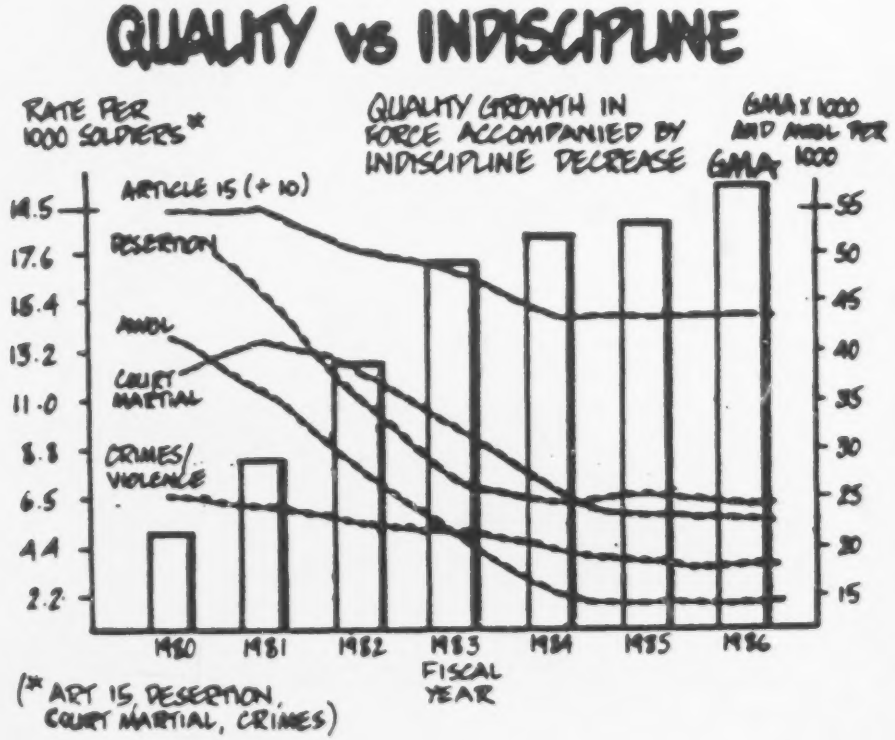
These improvements have reduced attrition and indiscipline and have greatly enhanced performance. The Army, in fact, estimates that these quality recruits have saved the nation the expense of recruiting and training a division's worth of manpower each year. This results in an annual cost avoidance of $234 million for the

Army. The following is the fiscal year 1987 cost, by service, of recruiting and training an active duty recruit: Army—$19,300; Navy—$12,196; Air Force—$19,421; and Marines—$14,400. Clearly, the cost savings resulting from the recruitment of smart, high school graduates, who are attracted to military service by educational assistance benefits and whose first term attrition rate is considerably lower than that for non-high school graduates, will be significant.

The following tables, provided by the United States Army, demonstrate the positive effect of recruits on performance and discipline:

QUALITY SOLDIERS PERFORM BETTER

	AFQT TEST CATEGORY		
	I–IIIA	IIIB	IV
AIR DEFENSE			
SHORAD GUNNERS SUCCESSFUL ENGAGEMENTS (TRASANA)	67%	52%	48%
ARMOR			
RATE AT WHICH US CREWS DESTROYED OPPOSING TANKS (CANADIAN CUP)	7 TO 1		1.5 TO 1
INFANTRY			
RATE AT WHICH RIFLEMEN WOULD KILL OPPOSING INFANTRY (HUNTER/LIGGETT)	2 TO 1	1 TO 1	1 TO 1



SOURCE: U.S. ARMY

The first year impact of the New GI Bill on Army Reserve recruitment has been equally impressive. Army Reserve high quality recruits increased 24 percent and six-year enlistments increased 28 percent over the year prior to the implementation of this new program.

The following is the fiscal year 1987 cost, by reserve component, to recruit and train a reservist: Army—$16,500; Navy—$8,720; Air Force—$20,185; and Marine Corps—$13,000. Considerable cost savings will result from the increase in six-year enlistments required for New GI Bill participation. The Air Guard estimates fiscal year 1986 savings of at least $22.7 million because of increased six-year enlistments.

The other services are as enthusiastic as the Army in their support of the New GI Bill. The Air Force points to the seven-fold increase in New GI Bill participation over VEAP and notes that most New GI Bill participants are in mental categories I and II. Air Force officials conclude that the smartest young people are coming into the Air Force to take advantage of the available education benefits. Additionally, the number one reason given for enlistment in the Air Force Reserve is the New GI Bill. Major General John B. Conaway, director of the Air National Guard, reports that 75% of the Air Guard personnel chiefs and recruiters named the New GI Bill their most effective recruitment tool in a recent poll. Both the Marine Corps and the Navy rate this new educational assistance program as a critical component of their recruiting package.

The services also note that their recruiting market has expanded significantly due to the New GI Bill. College-oriented youth who otherwise would not have contemplated military service are now joining the Armed Forces because of this educational assistance benefit program. High school counselors, who in the past discouraged visits by recruiters, now welcome them because they know the New GI Bill will benefit their students. Parents, familiar with earlier GI Bills, are encouraging their children to consider military service due to the availability of the New GI Bill.

Without the New GI Bill, the services would be forced to compete with an expanding job market and educational institutions in order to attract a larger percentage of high quality youth from a shrinking pool of eligible recruits. Studies indicate that the services will need to recruit one out of every two eligible, non-college males. However, since the implementation of the New GI Bill, and because of it, the Congress and the military have forged a new, stronger alliance with our community and junior colleges, universities and training institutions to ensure that those individuals who desire to further their educations may do so, and may do so with the knowledge that they earned it in service to their country.

The New GI Bill is an important component of the recruitment and retention package available for use by the Armed Forces. In concert with other benefits and incentives, the New GI Bill is attracting high quality youth to military service in record numbers. It must be emphasized, however, that it is the package as a whole that is contributing to the current successful recruitment picture. That package should be maintained, including the New GI Bill, if the ability of the Armed Forces to recruit and retain the best of American youth is to be sustained.

DISCUSSION OF THE BILL

The Committee feels that the New GI Bill is effectively accomplishing its stated purposes—that is, providing a significant readjustment benefit for servicemembers and providing a powerful recruitment and retention tool for the Armed Forces.

As stated previously, H.R. 1085 would make the New GI Bill a permanent program. The bill would make no substantive changes in current law. As enacted, the three year test of this program expires on June 30, 1988, thus terminating the New GI Bill for new participants after that date. No veterans' educational assistance program will be available to new military recruits as of July 1, 1988 unless the New GI Bill is made permanent.

The Administration agrees with the Committee that the New GI Bill should be made permanent. The President's budget, however, proposes that the funding for the basic benefit be transferred from the Veterans Administration to the Department of Defense and that the basic benefit be restructured and reduced. The Committee is pleased the Administration agrees that the New GI Bill is an effective program that should be continued. The Committee rejects, however, the recommendations regarding the funding transfer and benefit reduction.

The primary purpose of the New GI Bill is to assist in the readjustment of members of the All Volunteer Force to civilian life after their separation from military service. It is, therefore, appropriate that the Veterans Administration fund that portion of the program, the basic benefit, which is the readjustment benefit available to all those in the active forces who choose to participate in the New GI Bill. The VA has 42 years of experience in planning, budgeting and executing education programs for veterans. Since World War II, all GI Bill benefits for veterans have been funded by the Veterans Administration. The current funding structure should not be changed.

The current benefit levels under the New GI Bill are fair, reasonable, and flexible. The basic benefit will provide the opportunity for post-secondary training for many young people who, without this assistance, would be unable to afford additional education and training. If this benefit level is not adequate to attract the high quality men and women the services want, they may increase the benefits by providing additional educational assistance, popularly known as "kickers."

With the current structure and benefit level, the New GI Bill is working, and working well. To reduce the benefits would significantly reduce the effectiveness of the program as a readjustment benefit and as a recruitment and retention tool for the Armed Forces. This is best illustrated by the dismal failure of the Post-Vietnam Era Veterans' Educational Assistance (VEAP) program. Participation in this program was less than 20% when taking into account that 43% of those who initiated participation subsequently requested refund of their contributions. It was characterized by the Air Force as having zero value as a recruiting device.

The New GI Bill has proven to be a popular, effective program. It should be made permanent and its future clarified. Action on H.R. 1085 should be taken as quickly as possible so that our nation's

young men and women will know that their desire to serve their country as members of the Armed Forces will be rewarded with educational assistance benefits. As he signed the first GI Bill in 1944, President Franklin D. Roosevelt said the legislation gave "emphatic notice to the men and women of our Armed Forces that the American people do not intend to let them down." In creating the New GI Bill, we have sent that same message and made the same commitment to those volunteers who are choosing to protect our freedom through military service. We appreciate their service on our behalf and we understand and support their desire to "be all they can be." The enactment of H.R. 1085 will ratify this commitment.

The Committee feels the swift passage of H.R. 1085 will also put to rest the uncertainty within the military services about the future of the program. The New GI Bill has proven its effectiveness as a readjustment benefit and as a recruitment and retention tool. With the enactment of the reported bill, recruiters will know they can continue to offer the New GI Bill to the high quality young men and women they want to bring into the military. Those in command will know they can count on a continuation of reduced training costs and reduced costs associated with indiscipline. They will know they will not have to contend with a return to the turbulence so prevalent in the Armed Forces in the late 1970's and early 1980's. They will know that the All Volunteer Force will continue to be strong.

On a recent site visit to Fort Knox, Kentucky, Brigadier General Paul Funk, Assistant Commandant of the Army Armor School at Fort Knox, told the delegation that he has commanded troops in the 60's, 70's and 80's, and that the young people coming into the Army today are the best ever. According to General Funk, "The New GI Bill has made the Army a great place to soldier." The Adjutant General of Kentucky, General Billy Wellman, told the delegation, "The New GI Bill is the most attractive and important benefit we have to offer . . . I don't know of any program more important to the military—Guard, Reserve, and active force—than the New GI Bill."

A first century philosopher observed, "Only the educated are free." This statement is still true as we move into the 21st century, and it is our responsibility to enable those who protect our freedom to also pursue their personal freedom and self-improvement through education.

Oversight Findings

The Chairman of the full Committee, the Honorable G. V. (Sonny) Montgomery, author of the New GI Bill and H.R. 1085, has led four delegations which visited a Military Entrance Processing Station (MEPS) and military basic training sites. The purpose of these visits was to observe and evaluate the presentation, implementation, and effectiveness of the New GI Bill. In addition to observing administrative procedures regarding the New GI Bill used at the MEPS and at each training base, the delegations solicited the views of program administrators, recruiters, recruits and others concerned with force manning regarding the program.

On October 25, 1985, Chairman Montgomery, the Honorable Ike Skelton, the Honorable Herbert Bateman, and the Honorable Ben Blaz visited the Baltimore Military Entrance Processing Station in order to observe firsthand the implementation of the New GI Bill. Following this visit, the delegation concluded that the initial implementation of the New GI Bill was on track and that the New GI Bill would meet or exceed their expectations as a recruitment incentive for all services.

In addition to the Baltimore MEPS, Chairman Montgomery led delegations which visited the following basic training sites: Air Force Military Training Center, Lackland Air Force Base, San Antonio, Texas; Naval Training Center, San Diego, California; Naval Training Center, Orlando, Florida; Marine Corps Recruit Depot, San Diego, California; Marine Corps Recruit Depot, Parris Island, South Carolina; Army Air Defense Artillery Center, Fort Bliss, Texas; Army Training Center, Fort Jackson, South Carolina; and Army Armor Center, Fort Knox, Kentucky.

On January 13–15, 1986, Chairman Montgomery, accompanied by a member of the House Armed Services Committee staff and the Chief of the House Army Liaison Office, visited basic training sites of each of the armed services. The purpose of this trip was to assess the implementation and effectiveness of the New GI Bill. The delegation observed that the program was being effectively implemented and concluded that the only way the New GI Bill would constitute an unwise investment would be for it to go unpromoted or unsupported by the Administration and the armed services.

Chairman Montgomery led a delegation on October 20–22, 1986, which visited four basic training sites of the Armed Forces. The purpose of these visits was to observe and evaluate the presentation and implementation of the New GI Bill at each of the sites. In addition to Mr. Montgomery, the delegation included staff of the House Veterans' Affairs Committee, House Armed Services Committee, and the Chief of the House Army Liaison Office. Particularly striking to the delegation was the unanimity of opinion regarding the New GI Bill expressed by all those concerned with this new program. Base commanders, recruits, recruiters, and senior NCO's all acknowledged that the New GI Bill is the single biggest drawing card for recruitment of high quality high school graduates into military service. It was clear to the delegation that the New GI Bill is also succeeding as a readjustment benefit for servicemembers. The delegation concluded that the New GI Bill, combined with an adequate level of base pay, enlistment and reenlistment bonuses and other benefits, will allow the services to continue and even surpass their current level of successful recruitment and retention.

On February 12–13, 1987, Chairman Montgomery visited four training bases accompanied by the following Members of Congress: the Honorable Gerald Solomon, the Honorable Wayne Dowdy, the Honorable John Paul Hammerschmidt, the Honorable Joseph Kennedy II, the Honorable Thomas Ridge, the Honorable Jim Jontz, and the Honorable John Rowland. Also included in this delegation were representatives of six veterans' organizations and thirteen military associations, and staff representatives from the House and Senate Committees on Veterans Affairs and the House and Senate Committees on Armed Services. The delegation concluded that the

New GI Bill is being implemented effectively by all services, and the services are making good use of the flexibility built into the program to best meet their own needs. The program is successfully fulfilling its intended purposes.

The following comments were made by those in the last delegation regarding the New GI Bill and the highly qualified young people it is bringing into military service:

Mr. Cooper T. Holt, Veterans of Foreign Wars of the United States:

> "The GI Bill is extremely successful in recruitment and also in retention of volunteers into our armed forces . . . The GI Bili is without question the very best incentive the armed forces have in trying to maintain an adequate armed services with an all volunteer force."

Mr. Robert W. Nolan, Fleet Reserve Association:

> ". . . I was truly impressed with the caliber of today's recruits, regardless of Service. I am proud that the vast majority of them are high school graduates and was amazed at the high percentage of those who had already earned some college credits and there were several who had degrees."

Ms. Mary R. Stout, Vietnam Veterans of America, Inc.:

> "The New GI bill educational assistance programs are important means of fulfilling our obligation as a society to those who sacrifice themselves to protect our freedoms."

Chief Alan D. Obermiller, Enlisted Association of the National Guard:

> "I was impressed by the obvious quality of the recruits in all branches of the service."

Mr. David Gray, Air Force Association:

> "The New GI Bill is clearly a success that is growing in favor."

RADM William G. Sizemore, USN (Ret), Navy League of the United States:

> "I am convinced that the new GI bill should be permanent legislation."

VADM T. J. Kilcline, USN (Ret), The Retired Officers Association:

> "There is absolutely no doubt that the New GI Bill is absolutely essential for continued high level enlistments in the reserve."

COL Edward P. Smith, USA (Ret), Association of the United States Army:

> "The New GI Bill has had a dramatic positive effect on attrition, stabilizing the force, saving recruiting and training dollars."

MG J. C. Pennington, USA (Ret), National Association for Uniformed Services:

> "The trip verified my past experience as the Adjutant General of the Army—that the GI Bill is the most effective and popular recruiting vehicle the services have. It attracts high-quality, intelligent young people, many of whom would not otherwise have considered serving in the military . . . I believe . . . that the Veterans' Administration should continue to administer it, and to fund the basic benefit as a readjustment program."

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., March 10, 1987.

Hon. G.V. (SONNY) MONTGOMERY,
Chairman, Committee on Veterans' Affairs,
House of Representatives
Washington, D.C.

DEAR MR. CHAIRMAN:

The Congressional Budget Office has reviewed H.R. 1085 as ordered reported by the House Committee on Veterans' Affairs, March 5, 1987.

Should the committee so desire, we would be pleased to provide further details of the attached cost estimate.

With best wishes,
Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

cc: Honorable Gerald B. Solomon
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 1085.
2. Bill title: None.
3. Bill Status: As ordered reported by the House Committee on Veterans' Affairs, March 4, 1987.
4. Bill purpose: To amend title 38, United States Code and title 10, United States Code, to make permanent the New GI Bill educational assistance program established by Chapter 30.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1987	1988	1989	1990	1991	1992
Function 050:						
Budget authority		61	229	218	209	202
Outlays		61	229	218	209	202
Function 700:						
Budget authority		—15	—91	—163	—146	—120
Outlays		—76	—309	—350	—302	—249
Net Budgetary Effect:						
Budget authority		46	138	55	63	82
Outlays		—15	—80	—132	—93	—47

Basis of Estimate—This bill would extend indefinitely the June 30, 1988 expiration date for the New GI Bill. Servicemembers enlisting after July 1, 1988 would now be eligible for the New GI Bill educational assistance program. This extension was assumed in the CBO baseline. For this reason, this bill has no costs or savings relative to CBO baseline. All costs shown in this estimate are relative to current law.

The following table shows the budget impacts of this bill by account.

[By fiscal years, in millions of dollars]

	1987	1988	1989	1990	1991	1992
Function 050:						
Education Benefits Fund						
Budget authority		61	229	218	209	202
Outlays		61	229	218	209	202
Function 700:						
Readjustment benefits:						
Budget authority				2	11	30
Outlays				2	11	30
Deduction from pay						
Budget Authority		—17	—99	—185	—186	—187
Outlays		—17	—99	—185	—186	—187
Educational benefits fund:						
Budget authority		63	237	238	238	239
Outlays		2	19	51	82	110
Offsetting receipt for DOD contribution						
Budget authority		—61	—229	—218	—209	—202
Outlays		—61	—229	—218	—209	—202

FUNCTION 050

The Department of Defense would transfer money on an accrual basis to the Educational Benefits Fund to pay for supplemental and reservists benefits for those individuals entering the program after June 30, 1988.

FUNCTION 700

The Veterans' Administration would be responsible for funding the basic $300 benefit for all those training. Training expenditures would be paid out of the readjsutment benefits account. Estimates of training were derived by using historical data on participation in the current readjustment benefits program and the VEAP program.

Deductions from servicemembers pay for participation in the New GI Bill program are shown as offsetting receipts in function 700. The estimates are based on a participation rate of approximately 60 percent by those servicemembers who would be made eligible to participate by this bill. This figure was derived from the percentage of enlistments in 1985 and 1986 that participated in the program.

The Education Benefits Fund budget authority includes funds transferred from DOD to pay for supplemental and reservists benefits and interest accumulated by the fund. Outlays from this fund represent training expenditures for supplemental and reservist benefits.

Shown also is a receipt account which serves to offset the funds transferred from function 050 to function 700 so that the outlays will only be counted once—when the servicemember trains.

6. Estimated Cost to State and local government: The Congressional Budget Office has determined that the budgets of State and local government would not be directly affected by enactment of this bill.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Marianne Deignan (226-2820).

10. Estimate approved by:

C.G. NUCKOLS,

(for James L. Blum, Assistant Director for Budget Analysis.)

INFLATIONARY IMPACT STATEMENT

The reported bill will have no inflationary impact.

AGENCY VIEWS

The Committee received the following views from the Veterans' Administration and the Department of Defense during a hearing before the Subcommittee on Education, Training and Employment on February 18, 1987, regarding H.R. 1085:

EXCERPT FROM THE STATEMENT OF R. J. VOGEL, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

As you are aware, Mr. Chairman, the Administration supports making the New GI Bill program permanent. The Administration also proposes to: (a) continue funding the additional "kicker" benefits at their current levels, (b) continue VA administration of the program, (c) maintain the basic benefit level for six-year terms of enlistment, and (d) continue the reserve benefits at their current level pending completion of the Sixth Quadrennial Review of Military Compensation which is conducting an extensive review of Reserve compensation.

An additional two changes in the current operation of the program are proposed in the President's 1988 Budget: (1) to shift funding responsibility for the basic benefit from VA to DOD, and (2) to restructure the basic benefit to offer progressively lower benefits for shorter terms of service. These two modifications are proposed to ensure that the educational enlistment benefits of the New GI Bill will be productive for the armed services. Because these changes relate to the needs of the armed services, we defer to DOD for a detailed explanation of the rationale.

The Administration strongly urges that the subject legislation which this Subcommittee is considering include all the changes to the New GI Bill which are proposed in the President's Budget.

EXCERPT FROM THE STATEMENT OF HON. CHAPMAN B. COX, ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL, U.S. DEPARTMENT OF DEFENSE

We believe the New GI Bill has the potential to be an effective recruiting incentive. For this reason, we support making this program permanent. To fit into the overall context of the DOD recruiting program, however, we believe that it should be more of a targeted program. For this reason, we are submitting a legislative proposal that will:

Restructure the basic benefit to provide a benefit that varies with the term of enlistment;

Continue targeted incentives (known as "kickers"); and

Transfer funding of the basic benefit from the VA to the DOD.

Placing both policy and fiscal responsibility for the New GI Bill with the Department of Defense will permit a concentrated approach to using of educational benefits which emphasizes their effectiveness as a recruiting incentive.

We will be able to build on the level of variable basic benefit with additional targeted incentives that recognize special recruiting needs of the individual services. These "kickers" can be varied as necessary and tied to hard-to-fill skills, test scores or other criteria.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * * * *

PART III—READJUSTMENT AND RELATED BENEFITS

* * * * * * *

CHAPTER 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE PROGRAM

* * * * * * *

Subchapter II—Basic Educational Assistance

§ 1411. Basic educational assistance entitlement for service on active duty

(a) Except as provided in subsection (c) of this section, each individual—

(1) who—

(A) [during the period beginning on July 1, 1985, and ending on June 30, 1988,] *after June 30, 1985,* first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces and—

(i) who (I) serves at least three years of continuous active duty in the Armed Forces, or (II) in the case of an individual whose initial period of active duty is less than three years, serves at least two years of continuous active duty in the Armed Forces; or

(ii) who serves in the Armed Forces and is discharged or released from active duty (I) for a service-connected disability or for hardship, or (II) for the convenience of the Government, in the case of an individual who completed not less than 20 months of continuous active duty, if the initial obligated period of active duty of the individual was less than three years, or in the case of an individual who completed not less than 30 months of continuous active duty if the intial obligated period of active duty of the individual was at least three years; or

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§ 1412. Basic educational assistance entitlement for service in the Selected Reserve

(a) Except as provided in subsection (d) of this section, each individual—

(1) who—

(A) [during the period beginning on July 1, 1985, and ending on June 30, 1988,] *after June 30, 1985,* first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces and—

(i) serves at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service; and

(ii) subject to subsection (b) of this section and after completion of the service on active duty described in subclause (i) of this clause, serves at least four years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in training as required by the Secretary concerned; or

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SECTION 2132 OF TITLE 10, UNITED STATES CODE

§ 2132. Eligibility for educational assistance

(a) A person who—

(1) [during the period beginning on July 1, 1985, and ending on June 30, 1988] *after June 30, 1985*—

(A) enlists, reenlists, or extends an enlistment as a Reserve for service in the Selected Reserve for a period of not less than six years; or

(B) is appointed as, or is serving as, a reserve officer and agrees to serve in the Selected Reserve for a period of not less than six years in addition to any other period of obligated service in the Selected Reserve to which the person may be subject; and

(2) before completing initial active duty for training has received a secondary school diploma (or an equivalency certificate);

is entitled to educational assistance under section 2131 of this title.

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SECTION 701 OF THE DEPARTMENT OF DEFENSE AUTHORIZATION ACT, 1985

[SHORT TITLE

[SEC. 701. This title may be cited as the "Veterans' Educational Assistance Act of 1984".]

SHORT TITLE

SEC. 701. This title may be cited as the "Montgomery GI Bill Act of 1984".

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